

Chapter 831

Retirement

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<i>For related information on—</i>	<i>See—</i>
Instructions, information, and procedures.....	Supplement 831-1
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Subchapter 1. Administration and General Provisions

1-1. COVERAGE OF CHAPTER

This chapter covers the Civil Service Retirement Act, approved July 31, 1956, as amended, except for certain provisions which apply only to Members of Congress and congressional employees. Information relative to the retirement rights of Members of Congress and congressional employees, retirement rights of employees separated prior to October 1, 1956, the Canal Zone Construction Annuity Act, and the Lighthouse Service Widow's Act may be obtained, upon request, from the Bureau of Retirement and Insurance, U.S. Civil Service Commission, Washington 25, D.C.

1-2. CIVIL SERVICE COMMISSION RESPONSIBILITIES

The overall responsibility for administration rests with the Civil Service Commission. In addition, the Commission adjudicates all claims under the act; receives and deposits in the Treasury of the United States all payments to the Civil Service Retirement and Disability Fund; and maintains the retirement records of separated employees, the retirement records of past (not current) service of employees who have transferred between agencies, and designations of beneficiary for lump-sum payments from the Fund.

1-3. AGENCY RESPONSIBILITIES

a. **Delegation.** The head of an agency may delegate general responsibility for the program in his agency to a retirement officer. An agency's responsibilities with respect to individual cases, such as counseling and advising employees, maintaining retirement records, etc., are generally subject to decentralization to its local operating offices or installations, at the discretion of the agency.

b. **Designating retirement officer.** The head of each agency designates a retirement officer. Such designation is reported in writing to the Civil Service Commission. The Commission looks to the retirement officer for general information (including retirement accounting) which may be required from time to time. He is the Commission's contact for agencywide retirement matters.

c. **Designating certifying officers.** The head of each agency also designates certifying officers at the level at which retirement records are maintained within the agency. These officers certify individual retirement records and related documents, and are responsible for the correctness of all data therein.

d. **Other responsibilities.** Each agency must fulfill the general responsibilities listed below:

(1) Determining eligibility for coverage of employees under the Retirement Act and regulations.

(2) Withholding retirement deductions from employees' salaries, making matching agency contributions, and transmitting such withholdings and contributions to the Commission for deposit.

(3) Preparing and maintaining an individual retirement record for each employee subject to the act.

(4) Maintaining retirement control accounts and preparing retirement accounting reports.

(5) Requisitioning, maintaining stocks of, and issuing necessary retirement applications, forms, and certificates.

(6) Counseling and informing employees on their rights and obligations under the act; giving assistance to claimants, including survivors of deceased employees.

(7) Promptly transmitting retirement claims and records to the Commission.

e. **Agency questions.** Questions concerning retirement matters should be directed to the

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agency's retirement officer, who may refer questions to the Bureau of Retirement and Insurance, U.S. Civil Service Commission, Washington 25, D.C.

1-4. CERTIFICATE OF MEMBERSHIP

The obligations, rights, and privileges of membership in the Civil Service Retirement System are explained in the Certificate of Membership, Standard Form 105. Agencies are asked to accept responsibility for purchasing the certificates from the General Services Administration, Federal Supply Service, and arranging for their distribution to employees under the act.

1-5. SOURCES OF RETIREMENT MONEYS

Deductions from the basic salaries of employees subject to the Retirement Act have been and are at the following percentage rates: 2½% from August 1, 1920, to June 30, 1926; 3½% from July 1, 1926, to June 30, 1942; 5% from July 1, 1942, to the day before the first pay period which began after June 30, 1948; 6% thereafter to the day before the first pay period which began after September 30, 1956; and 6½% thereafter. From and after the first day of the first pay period beginning after June 30, 1957, each agency is required to contribute to the Fund an amount equal to the amount withheld from the salaries of its employees. Other sources of retirement moneys are congressional appropriations, interest earnings, gifts, and voluntary contributions by employees who wish to increase their annuities.

1-6. ELECTION BETWEEN ANNUITY AND EMPLOYEES' COMPENSATION

An employee who is disabled or injured in line of duty may be eligible for both an annuity under the act and compensation under the Federal Employees' Compensation Act. As a general rule, he may not receive an annuity and compensation for the same period of time, but he may elect whichever benefit is to his advantage.

1-7. LOANS, INDEBTEDNESS, AND SET-OFFS

a. **Loans and private indebtedness.** An employee or annuitant may not borrow from the Fund or assign money credited to his account as security for a loan or for any other purpose. His lump-sum credit or annuity is not subject to execution, levy, attachment, garnishment, or other legal process. The Commission is not authorized to induce an annuitant to satisfy a claim of a private creditor, or to arrange for the collection of a private indebtedness from annuity payments.

b. **Indebtedness to the United States.** Money payable from the Fund may be set off to effect recovery of any valid debt to the United States, provided the employee has been separated, the debt amounts to \$5 or more, and the creditor agency has exhausted all other means of recovery.

1-8. OFFENSES BARRING ANNUITY PAYMENTS

Under Public Law 87-299 (the Act of September 26, 1961), certain offenses involving the national security of the United States terminate the right of an employee or former employee, and that of his survivor, to receive annuity. So that the Commission may determine the applicability of Public Law 87-299, it is essential that the reason for any removal for cause, or the nature of charges pending against an employee if he resigns in lieu of answering charges, be transmitted to his payroll office and recorded on his Individual Retirement Record, Standard Form 2806. If the reason for removal or the nature of charges is such that annuity may be prohibited by the statute, the agency should furnish all available facts to the Commission. Similarly, if an agency acquires any information indicating possible application of Public Law 87-299 to an employee already retired, such information should be transmitted to the Commission.

1-9. APPEALS

a. **Filing appeal.** An appeal may be made to the Commission's Board of Appeals and Review from any final action of the Bureau of Retirement and Insurance affecting the rights or interests of any person or agency under the act. The appeal must be filed by a claimant or by his designated representative through the Bureau of Retirement and Insurance, U.S. Civil Service Commission, Washington 25, D.C. Each appeal must include the name and address of the appellant, his claim number, the date and substance of the action from which the appeal is taken, the full reasons for the appeal, and any supporting documentary evidence.

b. **Time limit.** Generally, appeals must be filed within 6 months from the date the Bureau of Retirement and Insurance mailed notice of its final action. In the following cases, appeal must be filed sooner:

(1) An agency appeal from the disallowance of its application for the disability retirement of an employee must be filed within 30 days from the date of receipt of notice of final action.

(2) An appeal from a finding that a disability annuitant has recovered, or that his earning capacity is restored, must be filed within 90 days from the date of notice of proposed discontinuance of annuity.

(3) When claims are simultaneously contested and one is allowed and one rejected, an appeal from the claimant to whom the action is adverse must be filed within 60 days from the date of receipt of notice of the Commission's action.

(4) An appeal from a denial of the reinstatement of the disability annuity of a former disability annuitant must be filed within 90 days from the date of final notice of the denial.

1-10. DEFINITIONS

a. When used in this chapter the following terms have the meanings indicated:

(1) **Act.** The Civil Service Retirement Act, as amended.

(2) **Agency.** A department or independent establishment of the executive, legislative, or judicial branch of the U.S. Government,

including Government-owned or controlled corporations, the municipal government of the District of Columbia, and Gallaudet College. The term refers to the whole organization as distinguished from its subdivisions and field establishments.

(3) **Annuitant.** Any former employee who meets all the requirements for title to annuity and has filed a claim for it.

(4) **Commission.** The United States Civil Service Commission.

(5) **Deductions.** The amount withheld for retirement purposes from the basic salary of an employee subject to the act.

(6) **Deposit.** A sum of money paid into the Fund by an employee (or his survivor) to cover a period of service during which deductions were not withheld from his salary.

(7) **Employee.** An individual, including an officer, appointed or elected to a position in or under the executive, legislative, or judicial branch of the U.S. Government, including Government owned or controlled corporations, the municipal government of the District of Columbia, and Gallaudet College.

(8) **Fund.** The Civil Service Retirement and Disability Fund.

(9) **"High-5" average salary.** The largest annual rate resulting from averaging, over any period of 5 consecutive years of creditable service, an employee's rates of basic salary in effect during such period, with each rate weighted by the time it was in effect.

(10) **Lump-sum credit.** Unrefunded deductions, deposits, and redeposits with earned interest.

(11) **Redeposit.** A sum of money paid into the Fund by an employee (or his survivor) to cover a period of service during which deductions were withheld but later refunded.

(12) **Refund.** The withdrawal from the Fund by an employee of his lump-sum credit.

(13) **Survivor annuitant.** A person who is entitled to an annuity based on the service of a deceased employee or annuitant, and who has filed claim therefor.

Subchapter 2. Coverage

2-1. EMPLOYEES COVERED

The act automatically covers all employees except those specifically excluded by law or by regulation of the Civil Service Commission.¹ Except for congressional employees who must affirmatively elect coverage, the question of whether an employee is subject to the act is governed by the appointment itself, and the individual does not have a choice as to retirement coverage. Where the appointing officer has a choice of the type of appointment he will make, he may ascertain the wishes of the prospective appointee. Failure to consult the appointee or to be guided by his wishes does not constitute an error which will warrant correction of the appointment action.

2-2. EXCLUSIONS FROM COVERAGE

a. Exclusions by law. The following persons are excluded by law:

- (1) The President.
- (2) Judges of the United States as defined under section 451 of title 28 of the United States Code.
- (3) Employees subject to another Government retirement system.
- (4) Temporary employees of the Administrative Office of the U.S. Courts and of the U.S. Courts except the Supreme Court.
- (5) Construction employees or any other temporary, part-time, or intermittent employees of the Tennessee Valley Authority.
- (6) Certain interns, student nurses, and other student-employees of Government hospitals.
- (7) Teachers in dependents' schools of the Department of Defense in overseas areas, as regards Federal employment, other than teach-

¹ The Architect of the Capitol and the Librarian of Congress are authorized to exclude from coverage temporary employees in their agencies.

ing, performed during a recess period between two school years.

b. Exclusions by regulation. Unless covered by one of the exceptions listed in section 2-3 below, the following employees in the executive branch are excluded by the regulation:

- (1) Employees serving under appointments limited to one year or less.
- (2) Non-full-time employees without a pre-arranged regular tour of duty.
- (3) Employees whose salary, pay, or compensation on an annual basis is \$12 a year or less.
- (4) Member or patient employees in Government hospitals or homes.
- (5) Employees paid on a contract or fee basis.
- (6) Employees paid on a piecework basis, except those whose work schedule provides for regular or full-time service.
- (7) Intermittent alien employees engaged on work outside the continental limits of the United States.
- (8) Employees serving under temporary appointments pending establishment of registers, or pending final determination of eligibility for permanent appointment.
- (9) Acting postmasters, clerks in fourth-class offices, substitute rural carriers, and special-delivery messengers at second-, third-, and fourth-class post offices.
- (10) Consular agents appointed under authority of section 551 of the Foreign Service Act of 1946, approved August 13, 1946 (Public Law 79-724).
- (11) Employees serving under emergency-indefinite appointments not exceeding five years.
- (12) United States citizens given overseas limited appointments.

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(13) Employees serving under nonpermanent appointments made pursuant to section 1 of Executive Order 10180 of November 13, 1950.

(14) Employees serving under nonpermanent appointments, designated as indefinite, made after January 23, 1955, the effective date of the repeal of Executive Order 10180.

(15) Employees serving under term appointments.

→(16) Temporary employees of the Census Bureau employed under temporary limited appointments exceeding one year.←

2-3. EXCEPTIONS TO EXCLUSIONS

a. Exceptions to exclusions by regulation. There are no exceptions to the exclusions by law. However, the executive branch exclusions by regulation listed above do not operate to deny retirement coverage in any case in which:

(1) Employment in an excluded category follows employment subject to the act without a break in service or after a separation from the service of three days or less,

(2) The employee is granted competitive civil service status under legislation, Executive order, or the civil service rules and regulations, while he is serving in a position in the competitive service,

(3) The employee previously had a competitive civil service status and such status is restored to him by action of reinstatement, or

(4) The employee is granted merit status under chapter II of title 5, Code of Federal Regulations, Employment and Compensation in the Canal Zone.

b. Career or career-conditional appointment. A career or career-conditional appointment automatically confers retirement coverage. Coverage similarly attaches to an excluded employee whose appointment is changed to career or career-conditional, even though he may serve under conditions which ordinarily would exclude him from retirement coverage, such as when actually employed without regular tour of duty. Such person has no right of election to acquire or retain social security coverage.

2-4. COVERAGE PROSPECTIVE

If an employee is not accorded retirement coverage upon appointment, but later is granted competitive civil service status in a competitive position, or such status is restored to him by action of reinstatement, retirement coverage attaches as of the date he acquires or reacquires competitive status. Such action is prospective only and retirement deductions are made from the beginning of the next pay period.

**2-5. DISTRICT OF COLUMBIA
GOVERNMENT**

Persons appointed on or after August 13, 1960, as members of certain District of Columbia examining and licensing boards and commissions are excluded by regulation. A board or commission member serving in that capacity before August 13, 1960, who is reappointed upon expiration of his term, without a break in service or after a separation of three days or less, is not excluded from coverage.

Subchapter 3. Credit for Service

3-1. CONCEPT

With certain specific exceptions, retirement credit is given for service, both civilian and military, performed for the Federal Government—the employer. Service performed for other employers—non-Government service—is not creditable for retirement purposes.

3-2. CIVILIAN SERVICE

a. **Types of civilian service.** Credit is given for civilian service in the executive, judicial, and legislative branches of the Federal Government and in the District of Columbia Government. The service may have been performed at different times; in one or more agencies or branches of the Government; and either before or after the employee acquired a retirement status, but before the date of separation upon which title to annuity is based.

b. **Amount of service creditable.** Generally, full-time credit is allowed for periods of Government employment; i.e., a day's credit is allowed for each day elapsing between the date of an individual's appointment and the date of his separation. However, there are instances when less than full-time credit is allowable, as when an employee is serving on an intermittent basis or when he has been on leave without pay in excess of 6 months in a calendar year. Where less than full-time credit is allowable, only the allowable time applies whenever length of service is a factor, e.g., in determining whether an individual has met the minimum service requirement for retirement eligibility, in computing the amount of annuity payable, in deciding on the 5 years over which the "high-5" average salary should be computed, etc.

3-3. DEPOSITS AND REDEPOSITS

a. **Deposits.** Employees with creditable civilian service for which deductions were not

made receive credit for such service in the computation of annuity benefits. However, if a deposit is not made by the employee or by his survivor, or if installment payments are begun and not completed, the annuity otherwise payable is reduced by an amount equal to 10 percent of the deposit balance due and unpaid. Deposits are computed on the basis of the percentages of basic salary stated in section 1-5 of this chapter, plus interest. Full credit is allowed without deposit for all service before August 1, 1920, for Panama Railroad Company service before January 1, 1924, and for creditable military service.

b. **Redeposits.** If an employee has received a refund of retirement deductions under the Civil Service Retirement System or any other system for the retirement of Government employees, he or his survivor must make a redeposit to the fund equal to the amount of refund, plus interest, before the service can be credited in the computation of annuity benefits.

3-4. MILITARY SERVICE

a. **Service which is creditable.** Full-time credit is allowed for honorable active military service for the United States performed prior to separation from a position under the act except if the employee draws military retired pay not awarded under conditions permitting credit, or if performed after December 31, 1956, and social security benefits are payable. Detailed information on credit for military service, including service in the reserve components, National Guard, Public Health Service, and Coast and Geodetic Survey, is in FPM Supplement 831-1, "Retirement."

b. **Double credit not permitted.** Since creditable service cannot exceed actual calendar time, credit cannot be allowed for both civilian and military service covering the same period of time.

c. Deposit not required for military service. The employee receives credit for active military service without contributions to the Fund, and no deposit of any type may be made for such service.

**3-5. CIVILIAN EMPLOYEE ENTERING
ARMED FORCES**

a. Military furlough. When a civilian employee under the act leaves his position to enter the Armed Forces of the United States during a war or national emergency, he is considered on furlough from his civilian position up to a maximum period of 5 years or until December 31, 1956, whichever is later. This furlough period is creditable as full-time civilian service,

regardless of whether the employee was furloughed or separated by his agency. Should the employee fail to return to his civilian position in the exercise of his mandatory restoration rights, credit for civilian service ends (subject to the 5-year or December 31, 1956, limitation) on the date of military discharge.

b. Eligibility for and effect of refund. If an employee entering the Armed Forces is separated by his agency, or resigns while in a furlough status, he may receive a refund of his lump-sum credit at any time under the provisions outlined in subchapter 9. Payment of the refund, however, makes his separation from the civilian service absolute for retirement purposes.

Subchapter 4. Voluntary Contributions

4-1. ELIGIBILITY

An employee may make voluntary contributions to the Fund to purchase additional annuity, subject to the following restrictions. If he has had creditable civilian service for which no deposit or redeposit has been made, he must first pay the deposit or redeposit. If at any time he received a refund of voluntary contributions, he may not make further voluntary contributions unless he has again been employed under the act after a separation of more than 3 calendar days.

4-2. AMOUNT AND INTEREST

Voluntary contributions may be made only in amounts of \$25 or in multiples thereof paid direct to the Civil Service Commission. Total contributions may not exceed 10% of the aggregate basic salary the employee has received for civilian service since August 1, 1920. These contributions earn interest at the rate of 3% compounded annually. As a general rule no interest is allowed beyond the date of an employee's separation from the service, or

date of transfer to a position in which he is not subject to the act.

4-3. ADDITIONAL ANNUITY OR LUMP-SUM BENEFIT

Voluntary contributions purchase additional annuity at the rate specified in section 7-9 of this chapter. Should an employee die in service, or after separation but before retirement, the voluntary contributions with interest are payable to the person or persons entitled in the order of precedence stated in paragraph b. of section 10-10. Should a retired employee (or both a retired employee and his designated survivor-annuitant) die without having received in additional annuity the total amount of voluntary contributions with interest, the balance is similarly payable.

4-4. REFUND OF VOLUNTARY CONTRIBUTIONS

An employee may obtain a refund of his voluntary contributions with interest either before or after separation from service but before receipt of any additional annuity.

Subchapter 5. Eligibility for Retirement

5-1. AGENCY RESPONSIBILITY FOR COUNSELING

a. **In general.** The agency should render every assistance to a retiring employee in completing his application by helping him to elect the type of annuity best suited to his circumstances, explaining the effect of making deposit or redeposit, and getting a statement from him to accompany his application, showing any unverified service in other agencies. Strict observance of procedures for submission of application for retirement is essential to assure prompt adjudication.

b. **Disability retirement counseling.** If an employee submits his resignation on account of ill health and meets the service requirement for disability retirement, the agency should discuss with him the advisability of applying for disability retirement before acting on his resignation. If the disabling condition is mental, the agency may file a disability retirement application on behalf of the employee.

5-2. AGE RETIREMENT

a. **Mandatory separation.** (1) With the exception of certain employees in the legislative and judicial branches, and those mentioned in subparagraph (2) below, each employee under the act must be separated when he meets all the following minimum conditions:

- (a) He has attained age 70; and
 - (b) He has completed 15 years of creditable service, including 5 years of civilian service; and
 - (c) He has been employed under the act for at least 1 year within the 2-year period immediately preceding his separation.
- (2) Provided the requirement in (c) immediately above is met, an employee of the Alaska Railroad in Alaska, or a citizen employee

of the Panama Canal Company or the Canal Zone Government on the Isthmus of Panama, must be separated when he has attained age 62 and has completed 15 years of creditable service on the Isthmus of Panama or in Alaska, or a total of 15 years in both places, including 5 years of civilian service.

b. **Notice and date of separation.** The agency must notify the employee in writing at least 60 days in advance of the effective date of mandatory separation. The effective date is at the end of the month in which the employee first meets all conditions for mandatory separation. Should the agency fail, through error, to give timely notification, the employee may not be separated without his consent until the end of the month in which the 60-day notice requirement has been met.

c. **Exemption from mandatory separation.** The President is authorized to waive this separation requirement in any particular case when, in his judgment, the public interest requires the retention of an employee in the service. The President has delegated this authority to the Civil Service Commission for employees other than Presidential appointees. The agency's recommendation for exemption must be forwarded to the Commission at least 30 days in advance of the mandatory separation date. Section 831.503 of the civil service regulations governs submission of such cases.

5-3. OPTIONAL RETIREMENT

a. **General eligibility.** An employee under the act is eligible for optional retirement on an immediate annuity if:

- (1) He has been employed under the act for at least 1 year within the 2-year period immediately preceding the separation on which the annuity is based, and

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(2) He meets one of the following minimum age and service conditions:

- (a) Age 62 and 5 years of civilian service, or
- (b) Age 55 and 30 years of creditable service, including 5 years of civilian service.

If the retiring employee is under age 60 the basic life annuity rate is reduced for early retirement as explained in section 7-6.

b. **Special eligibility for law enforcement employees.** An employee under the act is eligible for voluntary retirement under the special provision for law enforcement personnel upon meeting the following conditions:

(1) Employment under the act for at least 1 year in the 2-year period immediately preceding the separation on which the annuity is based.

(2) Age 50 or over.

(3) At least 20 years of service in law enforcement work.

(4) Actual service in a law enforcement position for at least 1 year immediately preceding retirement.

(5) Recommendation for retirement by head of agency.

(6) Individual hazard statement by head of agency.

(7) Approval by the Commission.

An application for retirement under this special provision for law enforcement employees is carefully reviewed for consistency with the intent of Congress in enacting this provision. Agencies having employees engaged in this type of work should be familiar with the explanatory and procedural material on optional retirement of law enforcement personnel in FPM Supplement 831-1, "Retirement."

5-4. DISABILITY RETIREMENT

a. **Eligibility.** An employee under the act must meet all of the following conditions to be eligible for disability retirement:

(1) He must have completed at least 5 years of civilian service.

(2) He must, while employed subject to the act, have become totally disabled for useful and efficient service in his position or any other position of the same grade or class.

(3) The disease or injury which caused the disability must not be the result of vicious habits, intemperance, or willful misconduct on his part within the 5-year period immediately prior to becoming disabled.

(4) The application for disability retirement must be filed with the Civil Service Commission as specified in paragraph c. below.

b. **Who may file application.** The employee himself must make application for disability retirement, except in the following cases:

(1) If he refuses to make the application, the agency may make it. In such case, the application must be signed by an official who has delegated authority to sign for the agency head in personnel matters under section 12 of Public Law 79-600.

(2) If he is mentally incompetent, the agency, his guardian, a relative, or some other interested person may make it in his behalf. In such case, the application must be signed by the interested person.

c. **Time limit on application.** If the application is made by the agency, it must be filed with the Civil Service Commission before the employee is separated from the service. If it is made by the employee, or his guardian, or some other interested person, it must be made before separation from the service or within 1 year thereafter. This time limit cannot be waived, regardless of the reason for failure to execute the application on time, except for an employee who was mentally incompetent at the time of separation or within 1 year thereafter. In that case, the application may be accepted by the Commission if filed within 1 year from the date the person is restored to competency or a guardian is appointed, whichever is the earlier.

e. **Employee's status pending action on agency application.** The employee's status as an employee is not affected by the act of his agency in applying for his disability retirement. Pending decision on the application, his employment status is determined under the normal rules relating to employees; for example, if it is necessary to place an employee on leave without pay without his consent, the agency must follow

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the requirements of part 752 of the civil service regulations. As a matter of policy the Commission believes it preferable that the employment status not be terminated for disability reasons while the decision on the application for disability retirement is pending.

f. **Date of separation.** Unless the employee has already been separated, the Commission will notify the agency of the action of medical allowance or disallowance of the claim. Upon receipt of notice that a claim has been allowed, the agency should, in its discretion, take one of the following actions:

(1) If the employee is then on annual leave or on leave without pay, the agency should separate him as of the date it receives the notice.

(2) If the employee is then on sick leave, the agency should separate him as of the date the leave expires.

(3) If the employee is still at work, the agency should grant him any sick leave to which he is entitled and for which he may apply and separate him as of the date the leave expires.

(4) If separation on a particular date would cause a forfeiture of any annual leave which could not be included in a lump-sum payment, the agency should grant him annual leave and separate him as of the date the leave which would otherwise be forfeited expires.

g. **After retirement.** Until he reaches age 60, a disability annuitant must annually report his income from wages or self-employment to the Civil Service Commission on a form which the Commission sends to him. He also must undergo periodic medical examinations unless the Commission determines that his disability is permanent. If a disability annuitant is found by the Commission to be recovered or restored to earning capacity, disability annuity payments will be terminated after a grace period which affords the annuitant an opportunity to seek reemployment. Detailed information on these matters and on the future annuity rights of recovered or restored disability annuitants is in FPM Supplement 831-1,

"Retirement," which also states the conditions under which disability annuity may be reinstated.

5-5. DISCONTINUED-SERVICE RETIREMENT

a. **Eligibility.** An employee under the act who is involuntarily separated from the service is entitled to an immediate annuity if:

(1) He has been employed under the act for at least 1 year within the 2-year period immediately preceding the separation on which the annuity is based, and

(2) He has attained age 50 and completed 20 years of creditable service, including 5 years of civilian service, or

(3) Regardless of age, if he has completed 25 years of creditable service, including 5 years of civilian service.

If the retiring employee is under age 60 the basic life annuity rate is reduced for early retirement as explained in section 7-6.

b. **Meaning of involuntary separation.** The term "involuntary separation" means any separation against the will and without consent of the employee, other than separation for cause on charges of misconduct or delinquency. Whether a separation is involuntary depends upon all the facts in a particular case; it is the true substance of the action which governs rather than the methods followed or the terminology used.

5-6. DEFERRED RETIREMENT

a. An employee who is separated from the service for any reason or transferred to a position in which he is not under the act, before meeting the requirements for an immediate annuity, is entitled to a deferred annuity to commence at age 62 if:

(1) He has completed at least 5 years of civilian service; and

(2) He has been employed under the act for at least 1 year within the 2-year period immediately preceding his separation or transfer.

Subchapter 6. Types of Annuity

6-1. ANNUITY WITH SURVIVOR BENEFIT TO WIDOW OR WIDOWER

For a married employee, annuity with survivor benefit to widow or widower is automatic unless he requests in writing an annuity without survivor benefit. The survivor type provides annuity payments, at a reduced rate, during the life of the retiring employee and, upon his death, a survivor annuity to the designated wife (or husband).

6-2. ANNUITY WITHOUT SURVIVOR BENEFIT

Annuity without survivor benefit is available to all retiring employees. It provides annuity payments during the life of the retiring employee only.

6-3. ANNUITY WITH SURVIVOR BENEFIT TO NAMED PERSON HAVING AN INSURABLE INTEREST

Annuity with survivor benefit to a named person having an insurable interest is available only to unmarried employees (including those widowed or divorced) who are retiring in good health. It provides annuity payments, at a reduced rate, during the life of the retiring employee and, upon his death, an annuity to the person designated as having an insurable interest. The Commission arranges a medical examination without cost to the retiring employee who elects this type of annuity and advises him of any other evidence required. An insurable interest is presumed to exist if the person named has a reasonable expectancy of pecuniary

benefit in the continuance of the life of the employee.

6-4. ELECTION OF TYPE OF ANNUITY

a. Election by employee. The election of the type of annuity desired by the retiring employee must be indicated by him on his application for retirement. If an application for an employee's disability retirement is filed by his agency the question on the application pertaining to the type of annuity should not be completed.

b. Election irrevocable. No change in the type of annuity selected is permitted after a claim has been allowed. Should the person named to receive a survivor annuity die before the annuitant, the retired employee may not change his election or substitute another person, nor is the rate of annuity increased.

c. Agency counseling. Each agency should advise a retiring employee of the approximate amount of benefits payable under each type of annuity available to him. If an approximation cannot be made, or does not suffice for the purpose of an election, the employee should so indicate on his application. Where this is done the Commission will furnish him with the information he requires, and delay allowance of his claim to give him an opportunity to make a final election.

6-5. SURVIVOR ANNUITY BY OPERATION OF LAW

Regardless of the type of annuity elected at time of retirement, a surviving dependent child of a deceased annuitant is entitled to a survivor annuity if the child meets the requirements set forth in paragraph d, section 10-3.

Subchapter 7. Computation of Annuities¹

7-1. FACTORS AFFECTING ANNUITY COMPUTATIONS

The amount of an employee's basic annuity depends upon his length of creditable service and "high-5" average salary, which is the largest annual rate resulting from averaging his rates of basic salary in effect during any 5 consecutive years of creditable civilian service, with each rate weighted by the time it was in effect. The basic annuity is subject to: (1) Reductions for (a) retirement before age 60, (b) failure to make deposit for nondeduction service, and (c) election of a survivor-type annuity; and (2) increases for (a) voluntary contributions and (b) Panama Canal and Alaska Railroad construction service. Several of these reductions and increases may apply in a particular case. If so, each applicable reduction must be made in the sequence indicated immediately above, and a reduced annuity obtained before proceeding to the next applicable reduction or increase.

7-2. EIGHTY-PERCENT LIMITATION ON BASIC ANNUITY

a. **Maximum basic annuity.** The basic annuity may not exceed 80% of the employee's "high-5" average salary. If a basic annuity would exceed this percentage, it is reduced to an amount equal to 80% of the "high-5" average salary before any of the reductions or increases mentioned above are applied.

b. **Excess service.** Where an employee has performed service (excluding any he has elected to eliminate for annuity computation purposes) in excess of the years and months required to provide the 80% maximum, the retirement deductions withheld after the month in which he

completed such service requirement, with 3% interest to date of retirement or death, are applied at separation date toward any deposit or redeposit due. Any balance of the money, or the total thereof if no deposit or redeposit is due, is refundable before annuity has been granted or may be used as voluntary contributions to purchase additional annuity as explained in section 7-9.

7-3. GENERAL FORMULA FOR COMPUTING BASIC ANNUITY

The basic annuity under the general formula is obtained as follows:

- Step 1. Take: 1½% of the "high-5" average salary; multiply the result by so much of total service as does not exceed 5 years;
- Step 2. Add: 1¼% of the "high-5" average salary multiplied by number of years of service from 5 to 10;
- Step 3. Add: 2% of the "high-5" average salary multiplied by all service over 10 years.

Instead of using 1½%, 1¼%, and 2% of "high-5" average salary, there may be substituted 1% of the "high-5" average salary plus \$25 for any or all of these amounts if such substitutions produce a higher basic annuity.

7-4. GUARANTEED MINIMUM DISABILITY ANNUITY

An employee under age 60 retiring for disability is guaranteed a minimum basic annuity (if it is greater than the basic annuity computed under the general formula above) amounting to the LESSER of 40% of his "high-5" average salary, or the annuity obtained by using the general formula after increasing the length of actual service by the period from the employee's separation for retirement until he would reach age 60. (Because the guaranteed minimum

¹ For computation of supplemental annuity based on service after retirement see subchapter 8. For computation of survivor annuity see subchapter 10.

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contains no provision for projection of service past age 60, the annuity rate of an employee who retires for disability at or after age 60 is always computed by using his actual service in the general formula regardless of whether the result would be greater or lesser than 40% of his "high-5" average salary.)

7-5. BASIC ANNUITY FORMULA FOR LAW ENFORCEMENT PERSONNEL

The basic annuity of an employee who retires under the special provision for law enforcement personnel is 2% of his "high-5" average salary multiplied by his total service.

7-6. REDUCTION FOR RETIREMENT BEFORE AGE 60

Except where retirement is on account of total disability, or under the special provision for law enforcement personnel, an employee who retires before age 60 has his annuity reduced by (a) $\frac{1}{2}$ of 1% for each full month (1% a year) he is under age 60, but not under age 55, and (b) $\frac{1}{4}$ of 1% for each full month (2% a year), he is under age 55.

7-7. REDUCTION FOR FAILURE TO MAKE DEPOSIT FOR NONDEDUCTION SERVICE

If an employee fails to make deposit, including interest, to cover a period of civilian service for which retirement deductions were not made from his salary, his annuity rate is reduced by 10% of the amount unpaid. For example, if the unpaid amount, including interest, on the date of retirement is \$300, the annuity will be reduced by \$30. This reduction does not apply and deposit need not be made for service prior to August 1, 1920, for military service, or for service with the Panama Railroad Company prior to January 1, 1924.

7-8. REDUCTION FOR ELECTION OF SURVIVOR ANNUITY

a. To widow or widower. There is a reduction in the annuity of an employee who accepts the annuity with survivor benefit to widow or

widower. The reduction in the employee's annuity is:

- (1) $2\frac{1}{2}\%$ of that portion up to \$3,600 elected as a base for the survivor benefit, plus
- (2) 10% of that portion over \$3,600 elected as a base for the survivor benefit.

The survivor's annuity will be 55% of all or whatever portion of the retiring employee's annuity he specifies as a base for the benefit.

NOTE

An employee who is retiring for disability and whose annuity is computed under the guaranteed minimum provision, cannot use any part of the guaranteed minimum as the base for a survivor annuity. The benefit to the designated wife (or husband) must be based on whatever portion of the earned basic annuity is specified by the employee.

b. To person with an insurable interest. An unmarried employee in good health who names a person with an insurable interest as a survivor has his annuity reduced by 10%, plus an additional 5% for each full 5 years the named person is younger than the retiring employee. The maximum reduction in the retiring employee's annuity is 40%. The designated survivor's annuity will be 55% of the retiring employee's reduced annuity.

7-9. ADDITIONAL ANNUITY PURCHASED BY VOLUNTARY CONTRIBUTIONS

An employee's annuity is increased by \$7, plus 20 cents for each full year he is over age 55 at the time of retirement, for each \$100 in his voluntary contributions account. If an employee elects a survivor annuity based on his voluntary contributions, the *additional* annuity (not his basic annuity) computed as indicated in the preceding sentence is reduced as provided in paragraph b. of section 7-8 immediately preceding. The survivor's annuity based on the voluntary contribution account will be 50% of the retiring employee's additional annuity as reduced.

7-10. ADDITIONAL ANNUITY FOR PANAMA CANAL AND ALASKA RAILROAD CONSTRUCTION SERVICE

An employee who is a citizen of the United States, and not in receipt of a Panama Canal

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Construction benefit under Public Law 78-319 (the act of May 29, 1944), receives an increase in annuity of \$36 for each year he was employed by (1) the Alaska Engineering Commission or the Alaska Railroad in Alaska between March 12, 1914, and July 1, 1923; or (2) by the Isthmian Canal Commission or the Panama Railroad Company on the Isthmus of Panama between May 4, 1904, and April 1, 1914. However, this increase in annuity does not affect the annuity of any survivor.

7-11. BEGINNING DATES, ADJUSTMENT, AND ACCRUAL OF ANNUITIES

a. **Beginning dates.** An immediate retirement annuity of any type begins on the day following the employee's separation, or on the day after the employee's salary ceases and he meets the service and age (or disability) requirements. A deferred annuity begins on the day after the separated employee attains age 62. Annuity payments are made in installments on the first business day of the month following the month or other period for which the annuity has accrued.

b. **Adjustment and accrual.** An annuity accrues on a daily basis, $\frac{1}{30}$ of the monthly rate constituting the daily rate, with no accrual for the 31st day of any month and with the last day of a 28-day month constituting 3 days (or the last day of a 29-day month 2 days) for accrual purposes. The monthly rate is $\frac{1}{12}$ of the annual amount payable, adjusted to the nearest dollar by raising 50 cents or more to the next dollar or by dropping 49 cents or less.

c. **Cost of living adjustments.** The annuity (excluding that portion purchased by voluntary contributions) computed as explained in this subchapter is initially increased according to the following schedule:

<i>Annuities which commence between —</i>	<i>Are increased from the commencing date by —</i>
January 2 and December 31, 1963.....	4%
January 1 and December 31, 1964.....	3%
January 1 and December 31, 1965.....	2%
January 1 and December 31, 1966.....	1%

Future cost-of-living adjustments in the annuities of retired employees and survivor annuitants are geared to percentage rises in nationwide living costs, as measured by the Consumer Price Index, as follows: Beginning in January 1964, yearly changes in the nationwide cost of living will be reviewed by the Civil Service Commission. Effective April 1 of any year if the Commission finds living costs have risen at least 3 percent since 1962 (or since the year before the most recent cost-of-living increase granted after 1962), annuities which commenced earlier than January 2 of the preceding year will be increased by a percentage equal to the rise in living costs.

7-12. WAIVER OF ANNUITY

A person may waive his annuity or any portion thereof. Should he later wish to rescind the waiver he may do so, but the annuity waived in the interim will not be paid. Request for waiver should be addressed to the Bureau of Retirement and Insurance, U.S. Civil Service Commission, Washington 25, D.C.

Subchapter 8. Reemployment of Retired Employees

8-1. INTRODUCTION

An individual retired under the act is not, because of his retired status, barred from reemployment in any position for which he is qualified. This subchapter summarizes the effect of reemployment on retirement rights and status. The separation on which the annuitant's retirement was based, plus other factors as explained below, determine how reemployment affects his retirement rights and status. Information on the appointment and tenure of annuitants under the act is in Chapter 300, "Employment (General)."

8-2. REEMPLOYMENT ON OR AFTER OCTOBER 1, 1956¹

a. Annuitants whose retirement was based on involuntary separation. An annuitant is considered as having been retired based on an involuntary separation if the separation meets the definition of that term (see paragraph b. of section 5-5 of this chapter). A separation for age retirement is *not* an involuntary separation for reemployment purposes. Retirement rights and status of reemployed annuitants in this category are as follows:

(1) *If reemployment is subject to the act.* Regardless of age, if the annuitant is reemployed on or after October 1, 1956, annuity is terminated at the end of the day prior to the reemployment. The employing agency withholds the regular 6½% retirement deductions from salary. Future annuity rights are determined under the law in effect at the time of separation from reemployment.

(2) *If reemployment is not subject to the act.* Regardless of age, if the annuitant is reem-

¹ The retirement rights and status of annuitants reemployed before October 1, 1956, are explained in Supplement 831-1. Should such an annuitant receive a new appointment on or after October 1, 1956, his retirement rights and status then are as explained under this heading.

ployed on or after November 15, 1958, annuity continues and the employing agency reduces his salary by the amount of annuity allocable to the period of actual employment. The employing agency does not withhold retirement deductions from his salary; however, FICA deductions are made when social security coverage is determined by the agency to be applicable. Annuity is not redetermined upon termination of the reemployment.

(3) *Change in retirement status.* An annuitant originally reemployed not subject to the act may, without break in his service, become reemployed subject to the act, as for example, through conversion from short-term to permanent-type appointment. If so, annuity is terminated as of the end of the day before the reemployment subject to the act. Reduction of salary by the amount of annuity stops and the regular 6½% retirement deductions from his salary begins. Future annuity rights are determined under the law in effect at the time of separation from reemployment.

b. Recovered or restored disability annuitants. If an annuitant found to be recovered or restored to earning capacity is reemployed on or after October 1, 1956, his retirement rights and status are as follows:

(1) *If reemployment is subject to the act.* Annuity is terminated at the end of the day before reemployment. The employing agency withholds the regular 6½% deductions from his salary. Future annuity rights are determined under the law in effect at the time of separation from reemployment.

(2) *If reemployment is not subject to the act.* Annuity is suspended at the end of the day before reemployment. The employing agency does not withhold retirement deductions from his salary; however, FICA deductions are made when social security coverage is determined by the agency to be applicable. Annuity is resumed at the previous rate, if reemployment

ceases within the 1-year termination period applicable upon recovery or restoration (see paragraph 5-4g. of this chapter), and then only for the balance of the 1-year period.

c. Disability annuitants not found recovered or restored to earning capacity. If an annuitant has not been found to be recovered or restored to earning capacity, and is reemployed on or after October 1, 1956, his retirement rights and status are the same as those explained below for "other annuitants."

d. Other annuitants. Included in this group is any annuitant whose retirement was based on a voluntary separation, or a separation for age, misconduct, or delinquency. Regardless of age or type of appointment, if such an annuitant is reemployed on or after October 1, 1956, annuity continues and the employing agency reduces his salary by the amount of annuity allocable to the period of actual employment. The employing agency does not withhold retirement deductions or FICA deductions from his salary. If the annuitant serves at least 1 year on a full-time basis, he may be eligible for supplemental annuity as explained in section 8-3 following. The provisions outlined in section 5-2 for mandatory age separation do not apply to such reemployed annuitant.

8-3. SUPPLEMENTAL ANNUITY

a. Eligibility requirements. Where it is previously indicated that (1) a reemployed disability annuitant not found to be recovered or restored to earning capacity, or (2) a reemployed annuitant whose retirement was based on a voluntary separation or a separation for age, misconduct, or delinquency, may be eligible for a supplemental annuity, such supplemental annuity is payable only if the final period of reemployment consists of at least 1 year of continuous full-time service (other than service under another retirement system for Federal or District of Columbia employees, as a Federal Judge as defined in 28 U.S.C. 451, or as President of the United States).

b. Computation. (1) The supplemental annuity is computed under the general formula as explained in paragraph 7-3. However, the full

rates of basic salary in effect during all periods of full-time reemployment, with each rate weighted by the time it was in effect, are used to determine the average salary, rather than any "high-5" average salary. This new average salary and the length of service computed on the basis of all full-time reemployment are applied in the formula to obtain the supplemental annuity. In determining which steps of the general formula to use, all the annuitant's service (pre- and post-retirement) is added together.

(2) Unless the annuitant makes a deposit to cover reemployment service, his supplemental annuity is reduced by 10% of the amount due as deposit. Such deposit may not be made until after separation from reemployment.

(3) The supplemental annuity is without survivor benefit, and it does not under any circumstances increase any annuity which may be payable to a survivor.

(4) Should his final reemployment period consist of at least 5 years of continuous full-time service, the annuitant may at separation make deposit in the retirement fund covering the reemployment service and elect a special computation. By such election, he will receive, in lieu of his existing annuity plus the supplemental benefit, an annuity recomputed under the law in effect at the separation date based on his entire service. This special computation operates as though he were retiring for the first time, and secures for him a new right of election as to type of annuity, the benefits of any liberalizing provisions enacted since his original retirement, etc.

8-4. EMPLOYMENT OUTSIDE THE GOVERNMENT

An annuitant may accept employment outside the Government without affecting his right to receive annuity payments. However, in the case of a disability annuitant under age 60, his outside employment may indicate he has recovered or his earnings may be sufficient to permit a finding of restoration to earning capacity. If he is found recovered or restored to an earning capacity, his annuity payments are terminated.

Subchapter 9. Refunds

9-1. LUMP-SUM CREDIT

Regardless of his length of service, an employee who is separated or transferred to a position in which he is not under the act, may receive a refund of his lump-sum credit, provided:

(1) His separation or transfer occurs and application for refund is filed with the Commission at least 31 days before the commencing date of any annuity for which he may be eligible, and

(2) He is not currently employed in a position subject to the civil service retirement deductions or will not be so employed within 31 days from the date of the separation on which his claim for refund is based.

The receipt of the lump-sum credit voids all annuity rights unless and until the individual is later reemployed in a position subject to the act. The period covered by the refund cannot

be credited for annuity computation purposes until redeposit is made.

9-2. REFUND COVERING SERVICE WHICH DOES NOT MEET THE ONE-OUT-OF-TWO-YEARS REQUIREMENT

If a separated employee has completed less than 1 year of civilian service under the act within the 2-year period immediately preceding his last separation, such separation and service do not accord him any title to annuity, and he may receive a refund covering this period without losing any annuity right based on a prior separation. If he has an annuity right based on a prior separation, and desires a refund covering only the latter service, he should make a definite statement to this effect on his application for refund; otherwise he will be paid his entire lump-sum credit, resulting in the forfeiture of all annuity rights.

Subchapter 10. Death Benefits

10-1. AGENCY RESPONSIBILITY

When an employee dies, the employing agency is responsible for advising the next of kin or emergency addressee of the right to apply for death benefits under the act. The agency also informs the next of kin what benefits may be payable and renders every assistance in completing the application for death benefits.

10-2. KINDS OF DEATH BENEFITS

Death benefits are of two kinds: survivor annuity and lump-sum payment. Survivor annuities may be payable upon the death of an employee to his widow (or her widower) and children. A lump-sum benefit may be payable upon the death of an employee if there is no widow (or widower) or children entitled to survivor annuity or, if a survivor annuity is payable, after the right of the last person entitled thereto has terminated.

10-3. SURVIVOR ANNUITY UPON DEATH OF EMPLOYEE

a. Conditions to be met by employee. To qualify the widow (or widower) and/or children for a survivor annuity, an employee must have completed at least 5 years' civilian service and died while employed in a position subject to the act.

b. Conditions to be met by widow. To qualify for a survivor annuity, an employee's widow must have been married to the employee for at least 2 years immediately preceding his death or be the mother of a child born of the marriage with the employee.

c. Conditions to be met by widower. To qualify for a survivor annuity an employee's widower must have been married to the employee for at least 2 years immediately preceding her death or be the father of a child born of the marriage with the employee. Also, at the

time of the employee's death, the widower must be incapable of self-support by reason of mental or physical disability and have received more than one-half his support from the employee. To determine whether the widower meets the disability requirement, the Commission arranges for a medical examination without cost to him. If he meets the disability requirement, proof of the receipt of more than one-half support will also be required.

d. Conditions to be met by child. (1) To qualify for a survivor annuity, a child (including a legally adopted one) of an employee who is also survived by a wife (or husband) must be under age 18, unmarried, and have received more than one-half his support from the employee. If the employee is not survived by a wife (or husband), the child qualifies regardless of the degree of support from the employee. In this connection an employee who was divorced at the time of his (or her) death is not survived by a wife (or husband).

(2) A child who is over age 18 may be entitled to a survivor annuity if he meets the other requirements mentioned above and, if he (1) is incapable of self-support by reason of a mental or physical disability which was incurred before he reached age 18, or (2) is a student under age 21.¹ To determine whether he meets this disability requirement, a child must undergo a physical examination which is arranged for by the Commission without cost to the family. To qualify as a student, the child must regularly pursue a full-time course of study or training in a high school, trade school, technical or vocational institute, junior college, college, university, or comparable recognized educational institution.

¹ For this purpose a student-child whose birthday falls during the school year (Sept. 1-June 30) is deemed not to reach age 21 until July 1 following his actual 21st birthday.

(3) A stepchild or an acknowledged illegitimate child may be entitled to a survivor annuity if he meets the requirements mentioned above and has lived with the employee in a regular parent-child relationship. However, he must have received more than one-half his support from the employee regardless of whether the employee is survived by a wife or husband.

10-4. AMOUNTS OF SURVIVOR ANNUITY UPON DEATH OF EMPLOYEE

a. To widow (or widower). (1) Survivor annuity to a widow (or widower) is 55%¹ of an amount computed on the basis of the deceased employee's "high-5" average salary and his length of service to the date of death, under the general formula for retiring employees shown in section 7-3. No reduction is made in the computation because the employee may have been under age 60 at time of death. The survivor annuity to the widow (or widower) is payable in addition to any benefit due a child or children.

(2) Survivor annuity to the widow of a law-enforcement employee who at the time of his death was age 50 or over and had completed at least 20 years of law enforcement service, is 55%¹ of the amount computed under the basic annuity formula for law enforcement personnel shown in section 7-5.

(3) In computing the survivor annuity, no credit is allowed for the period covered by a refund which has not been redeposited by the employee or by his survivor. Credit is given for nondeduction service for which the employee or his survivor has not made a deposit; however, the amount of annuity earned by the employee, which is used to determine the survivor's annuity, is reduced by 10% of the amount of the unpaid deposit.

b. To child. Survivor annuity to a child or children is payable in addition to any benefit due a widow or widower. Where the employee is survived by a wife or husband, the yearly survivor annuity payable to each child is whichever of the following amounts is the least: 40% of the employee's "high-5" average salary divided by the number of eligible children; \$1,800 divided by the number of eligible children; or \$600. Where the employee is not sur-

vived by a wife or husband, the corresponding amounts are: 50% of the employee's "high-5" average salary divided by the number of eligible children; \$2,160 divided by the number of eligible children; or \$720.

c. Recomputation of benefits. Where the surviving wife (or husband) dies before the benefit to the children is terminated, the annuity to each child still entitled is increased to the amount which would have been payable if the employee had not been survived by a wife (or husband). This is true even though the wife (or husband) was not in receipt of a survivor annuity at the time of his (or her) death. Similarly, upon termination (for any reason) of the annuity to a child, the annuities to any remaining children are recomputed as though the one child had never been entitled to the benefit.

d. Cost-of-living adjustment. Survivor annuities are subject to the cost-of-living adjustments explained in section 7-11c.

10-5. SURVIVOR ANNUITY UPON DEATH OF ANNUITANT

a. To widow (or widower). If at the time of retirement an annuitant had accepted an annuity with survivor benefit to widow or widower, a survivor annuity is payable upon death of the annuitant to the widow (or widower). The survivor annuity is 55%² of all or whatever portion of his annuity the deceased annuitant specified as the base for the survivor benefit when he retired.

b. To person with insurable interest. If the annuitant had elected an annuity with survivor benefit to a named person having an insurable interest, a survivor annuity is payable upon death of the annuitant to the person named by the annuitant at the time of his retirement. The survivor annuity to the designated person is 55%² of the annuity payable to the deceased annuitant.

c. To child. If a deceased annuitant is survived by children they are, regardless of the type of annuity elected at retirement, entitled

¹ 50% if employee died before Oct. 11, 1962.

² 50% if annuitant separated and annuity commenced before Oct. 12, 1962.

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to a survivor annuity under the same conditions and in the same amounts as the children of a deceased employee.

d. *Cost-of-living adjustment.* The percentage of initial increase in the annuity of a retired employee, as explained in section 7-11c is passed along after his death to each survivor entitled to annuity, i.e., the survivor's annuity rate is increased by the same percentage as the retired employee's rate in lieu of the scheduled initial adjustment in effect at the time the survivor's annuity begins. Future cost-of-living increases also apply to survivor annuities.

10-6. DURATION OF SURVIVOR ANNUITIES

Survivor annuities begin on the day following the date on which the death of the employee or annuitant occurred. A survivor annuity to a widow (or widower) ends on the last day of the month preceding the one in which she (or he) remarries, dies or, in the case of a widower, becomes capable of self-support. A survivor annuity to a child ends on the last day of the month preceding the one in which he marries, dies, or becomes age 18. If a child over age 18 is receiving an annuity because he is disabled it will terminate on the last day of the month preceding the one in which he becomes capable of self-support, marries, or dies. Annuity to a student-child ends on the last day of the month preceding the one in which he marries, dies, ceases to be a student, or when he becomes 21.¹

10-7. PAYMENT OF CHILDREN'S ANNUITIES

A child's annuity is paid to his guardian if one has been appointed by a court. If no guardian is appointed, payment is made, at the discretion of the Civil Service Commission, to the person who has the care and custody of the child.

¹ For this purpose a student child whose birthday falls during the school year (Sept. 1-June 30) is deemed not to reach age 21 until July 1 following his actual 21st birthday.

10-8. ELECTION BETWEEN SURVIVOR ANNUITY AND EMPLOYEES' COMPENSATION BENEFITS

Except where a widow (or widower) is being paid the balance of a "scheduled" compensation award due a deceased employee, survivor annuities and survivors' compensation benefits under the Federal Employees' Compensation Act are not payable concurrently if both are based on the death of the same employee. A survivor entitled to both must elect which of the two benefits he prefers. Should all eligible survivors of a deceased employee elect to receive the compensation benefit rather than the survivor annuity, their rights to the latter terminate.

10-9. ELECTION BETWEEN SURVIVOR ANNUITY AND SOCIAL SECURITY BENEFITS

Survivors who are eligible for annuity which is based in part on military service performed by the employee between September 16, 1940, and December 31, 1956, and also for social security benefits, may elect to have such military service credited toward the social security benefit. However, if such an election is made, the survivors' right to annuity is terminated. In practice, survivor should apply for both benefits, ask the Civil Service Commission and the Bureau of Old Age and Survivors' Insurance for statements showing the amount of each benefit, and then make the election as to where to credit the military service.

10-10. LUMP-SUM BENEFITS

a. *When payable and amount.* (1) A lump-sum death benefit is payable immediately upon an employee's death if the employee has less than 5 years of civilian service or leaves no widow (or widower) or children entitled to a survivor annuity. Under these conditions the benefit consists of the employee's lump-sum credit.

(2) If an employee leaves a widow (or widower) and/or children who are entitled to

survivor annuities, a lump-sum benefit is payable if the survivors' annuities terminate before they have received in annuities an amount equal to the employee's lump-sum credit. Under these conditions the benefit consists of that portion of the employee's lump-sum credit which has not been exhausted by the annuity payments to the survivors.

(3) Similarly, upon the death of an annuitant, or upon termination of annuity payments to an annuitant's survivor(s), a lump-sum benefit may be payable if the total of annuities paid to all persons entitled is less than the annuitant's lump-sum credit. Here also, the benefit consists of that portion of the annuitant's lump-sum credit which has not been exhausted by the annuity payments made to the annuitant and to his survivors, if any. Also payable, upon the death of an annuitant, is any annuity accrued from date of last payment to date of death.

b. To whom payable. A lump-sum benefit is payable to the person or persons entitled under the following order of precedence:

First, to the beneficiary or beneficiaries designated by the employee or annuitant.

Second, if there is no designated beneficiary, to his widow (or her widower).

Third, if none of the above, to his child or children in equal shares, with the share of any deceased child distributed to the descendants of that child.

Fourth, if none of the above, to his parents or the survivor of them.

Fifth, if none of the above, to the executor or administrator of his estate.

Sixth, if none of the above, to his other next of kin who may be entitled under the laws of the State in which he was domiciled at the time of death.

10-11. DESIGNATION OF BENEFICIARY

a. Designation for lump-sum benefits only. A designation of beneficiary is for lump-sum benefit purposes only, and does not affect the right of any person who qualifies to receive survivor annuity benefits. Survivor annuity benefits are never based on a designation of beneficiary. Such benefits are payable either by operation of law or as a result of an election made by a retiring employee.

b. Designation not mandatory. A designation of beneficiary is not mandatory if the order of precedence for payment of any lump-sum benefits in paragraph b of section 10-10 is satisfactory to the employee. A designation should be made if the employee wishes to name some person or persons not mentioned in the order of precedence, or if he wishes to name a mentioned person in a different order or for a different share.

c. Designation form. Standard Form 2808, Designation of Beneficiary, is to be used in designating a beneficiary.